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SUBJECT: SHIPPER CONTRACTS AND AGREEMENTS

Just a few notes to help clarify the salvage and claim expense situations when dealing with Shipper Freight Contracts and Agreements.

Being aware of these items can reduce the possibility of being put in an uninsured risk situation with regards to cargo.

#### CONSEQUENTIAL LOSSES ON CARGO CLAIMS

These are often referred to as out of pocket or economic losses, incidental expenses or other charges which can be for loss of sales, lost business, loss of profit, service fees or administration costs, etc.

Re-packaging, where feasible, is sometimes covered depending on the circumstances. This is negotiated at the time of incident.

A carrier is not liable for any of these losses, rather only for the actual cost of the product lost or damaged, including freight charges, if paid.

In the event there is no value stated on the actual bill of lading, a carrier is only responsible to pay \$4.41 per KG (computed on the total weight of the shipment) or the actual value of the product, whichever is the lesser amount.

The owner of the product is obligated to mitigate their losses. By this we mean repackaging where necessary, sorting through product, separating the damaged product from the good product and doing Quality Audit testing. Then a claim may be submitted only for the labour and the unsaleable portion of the product.

Furthermore, the owner of the product cannot abandon a said shipment onto the carrier.

In the event the product is deemed unsaleable, then that portion of the product is to be returned to the carrier for salvage purposes to help reduce their losses on the damaged product.

If a shipper wishes to retain the damaged product rather than have it sold, then a salvage allowance would be given to Erb Transport in lieu of not receiving the actual product for salvage. This salvage allowance would solely be determined by a qualified insurance adjuster selected by Erb Transport and would be used to reduce the actual total claim amount.

The salvage allowance amount can then be recouped by the shipper through their Brands and Label insurance.

Erb Transport will investigate and take action on all submitted freight claims. A carrier is liable only for the actual cost to produce the product lost or damaged, including the freight charges (if they have been paid). Erb Transport will not be held liable for any incidental expenses such as loss of sales, lost business, lost profit, service fees, administration costs, or any monetary

penalties or fines based on arrival times. The Erb Group of Companies comply with Provincial, Federal and United States Government policies and guidelines, when handling over, short or damaged products. Refer to the respective Transportation Bill of Lading document for these details. It is important that claim submissions follow these guidelines.

Claim valuation must be in excess of \$80.00 per bill of lading for payment consideration.

When drivers are restricted from being present during the loading or unloading of product from a trailer or straight truck, we will refrain from accepting any claim responsibility in the event of a problem with the product count and or integrity. The Erb Group of Companies complies with Canadian and US Regulations and Home Land Security requirements.

Liability for Cargo insurance is limited to \$2.00 per pound or \$4.41 per kilogram.

Example:

A 10 case shipment weighing 200 pounds, with a valuation of \$1000.00 dollars is lost. If the valuation of the \$1000.00 was indicated on the paperwork, then Erb would reimburse the shipper \$1000.00 + freight charges (if they had been paid).

If there was no valuation on the paperwork, then Erb would reimburse the shipper \$400.00 (200 lbs x \$2.00 per pound) + freight charges (if they had been paid).

Bill Bresee  
Claims Supervisor